## Transmission Business Line (TBL)

## NOTICE

## Business Practices Technical Forum
## Real Power Losses Work Group

*Meeting of February 6, 2003*

Meeting Attendees: Carol Opatrny (representing Powerex), Gary Shumate (Snohomish PUD), Rick Paschall (PNGC), Suzanne McFadden-via phone (PSE), Doug Rough-via phone (SCL), Kevin Johnson (BPA-PBL), Tony Rodrigues (BPA-TBL), Shirley Buckmier (BPA-TBL), Steve Huss (BPA-TBL) Cathy Ehli (BPA-TBL)

The group started with a general discussion of the viability of adopting the Financial Settlement of Real Power Losses and shared the following conclusions and observations:

1. Financial Settlement is not a viable option right now due to the FERC-approved rate schedule; needs further discussion in the event the workgroup wants this alternative to be queued up for the next Transmission Rate Case.
2. This alternative would enable TBL to eliminate the reliance upon the current scheduling/billing/wheeling program.
3. This alternative would require the development of a resource portfolio that TBL (maybe PBL) would manage in order to provide losses. The resource portfolio model would be developed on the premise that the overall cost of providing losses could be reduced.
1. The observation was made that going to an "all financial" return model could result in increasing BPA's exposure to the market. Alternatively, it was suggested that market exposure would be taken into consideration in the development of the resource portfolio.

The group concluded that immediate changes to TBL's business practice would have to involve physical returns (otherwise, a change to TBL's rates and FERC approval would be required). Under physical return, the group focused on two alternatives:

1. The current, 168 hour-later return
2. Concurrent
    1. Defined as losses being returned with each schedule
    2. Defined as losses being returned for all schedules during a particular hour (See Whitepaper)

The group discussed how to get added flexibility to the current business practice and discussed what is desirable, assuming away the limitations imposed by RODs.

3. Not having to identify loss returns by contract type
4. Allowing loss returns to come from various PORs

5. Building, in advance, various "loss accounts" that could be used for loss returns, without limitation except in the case that firm transmission were not available.
6. Effectively, allowing losses to be returned by schedule (requiring the necessary IT linkages between schedules that are intended to satisfy the losses obligation(s) and the schedules that need losses to be returned).

The group talked about the trade-off between concurrent returns (which eliminates the risk associated with changing energy values) and 168 hour later returns (which eliminates the uncertainty with respect to the quantity of the loss return). The group seemed generally, more supportive of week-later returns, i.e., the quantity certainty outweighed the market value uncertainty.

The group identified a number of principles that should be considered in the development of changes to the existing business practice, namely:

1. Flexibility in terms of the Business Practice
2. Cost-conscious
3. Administrative ease for TBL and its customers

Next Steps:

1. WECC survey (S. Buckmier)
2. FERC research
3. Need to document the system(s) that currently involve Real Power Losses to better understand the limitations imposed by RODs.
4. Need to consider rolling-in losses to transmission rates and how a resource portfolio for providing losses could be made available to TBL.
5. Need to update the Whitepaper outline (to reflect this discussion) and include what is envisioned for an after-RODs model.